

Case Study: Illinois Advocates and Utilities Negotiate Historic Wins in Electric and Gas Energy Efficiency Policy

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ABSTRACT

Standing on the shoulders of those who have made immeasurable impacts on this movement, Illinois climate, consumer, and environmental justice advocates are building nation-leading momentum in pushing for PUC and state legislative action to improve utility energy efficiency programs. This paper explores the processes, outcomes, and next steps out of recent regulatory and legislative energy efficiency policy achievements in 2025.

First, with a deep dive into the six-month 2026–2029 efficiency plan negotiations with investor-owned utilities, which resulted in nearly \$2.79 billion to facilitate record energy and utility bill savings. Although arduous, the negotiations toward settlement modeled that under inclusive and accessible energy decision-making processes, gains can be made to ensure clean and efficient technology investments benefit all – especially communities that have been harmed by the legacy energy system. Then, with an intimate look into the year-long brokering between utilities and the IL Clean Jobs Coalition on the Clean and Reliable Grid Affordability Act. This law makes critical improvements to the state’s electric efficiency program by increasing energy savings targets to 2% of total utility sales, introducing a goal to reduce peak demand on the grid, tripling minimum requirements for income-qualified investment, and increasing the amount of building electrification utilities can facilitate. The law also significantly updates gas efficiency statute for the first time since 2009 by allowing voluntary program increases and setting an aggressive minimum standard for spending on heat load-reducing improvements tied to a utility’s ability to earn a shareholder incentive.

Introduction

In the face of an outdated power grid that struggles to maintain reliability through increasingly extreme weather events and unexpected surges in demand from large energy users like data centers – especially under an anti-clean energy Trump administration – Illinois needed to take action in 2025 to more comprehensively plan for the least-cost, cleanest and most reliable power grid for our future. Since every additional kWh of energy and MW of peak demand reduced through Energy Efficiency (EE) programs avoids the need to supply them more expensively with new power plants, strengthening and expanding these investments became the foundation of recent efforts to enhance the state’s grid reliability during the clean energy transition.

From 2024–2025, the Natural Resources Defense Council (NRDC) served as a lead policy drafter and negotiator with partners on the Energy Efficiency policy advancements in both the 2026–2029 efficiency plan negotiations with investor-owned utilities as well as within the legislative brokering on the 2026 Clean and Reliable Grid Affordability Act (CRGA Act).

2026-2029 Utility Energy Efficiency Portfolio Negotiations

After the Illinois General Assembly passed the Energy Efficiency Portfolio Standard (EEPS) in 2007, requiring electric investor-owned utilities to offer ratepayer-funded efficiency programs, the ICC created the Illinois Energy Efficiency Stakeholder Advisory Group (SAG). Originally, the SAG was designed for “reviewing final program designs; establishing agreed-upon performance metrics for measuring portfolio and program performance; reviewing Plan progress against metrics and against statutory goals; reviewing program additions or discontinuations; reviewing new proposed programs for the next program cycle; and reviewing program budget shifts between programs where the change is more than 20%” (IL EE SAG 2024). Over the years, the ICC has increased the SAG’s authority and shifted its purpose to give the public a more proactive review and critique of utility efficiency offerings. In 2014, the ICC expanded the SAG’s responsibilities to include “reviewing new program designs, further discussing issues that remained unresolved in litigation, and the creation of an Illinois Energy Efficiency Policy Manual.” Then in 2015-16, the SAG facilitated stakeholders in an energy efficiency portfolio planning process to reach agreement between interested parties on utility plans before filing for approval with the ICC. Since then, stakeholders have engaged in the same process for the 2022-25 plan and now the 2026-29 plan, avoiding litigation and reaching settlement agreement on a variety of budgetary and program design enhancements that would codify Illinois programs as some of the most comprehensive in the country.

Stakeholders negotiating the utilities’ 2026-29 portfolios included the Natural Resources Defense Council (NRDC), People for Community Recovery (PCR), ACES 4 Youth, National Consumer Law Center (NCLC) representing Community Organizing & Family Issues (COFI), DarkSky Chicago, the City of Chicago, Illinois Commerce Commission (ICC) Staff and Office of General Counsel, as well as the Office of the Illinois Attorney General.

To make waves on emissions and energy burden reductions, the portfolio negotiations and NRDC’s strategy with partner intervenors were rooted in the following priorities:

- Lowering of peak demands through heat pumps to displace inefficient electric heating;
- Driving whole-building shell improvements – a no-regrets, fuel-agnostic strategy;
- Reducing gas consuming equipment incentives and scaling electrification;
- Expanding equitable program delivery that minimizes barriers for customer participation, especially in multi-family affordable housing;
- Growing utility workforce programs to build our state’s equity-focused clean energy economy;
- Shifting EE focus away from small, short-lived investment and towards holistic, comprehensive services.

The following overview dives deep into the outcomes of the more than six-month long series of negotiations into utilities’ 2026-2029 EE portfolios (Ameren 2025; ComEd 2025; Nicor 2025; North Shore and Peoples 2025). From Table 1 figures, NRDC estimates that the equipment and building upgrades invested each year of the portfolio will, over their lifetime, save enough electricity to power roughly 2.6 million homes and save enough gas to heat nearly half a million homes *annually*.¹ Not only does this underscore massive avoided energy costs for program

¹ Assumes the average IL residential customer consumes about 8,000 kWh/year and about 950 therms/year.

participants, but the net societal value over the life of efficiency measures installed in just one program year is estimated at over \$2.2 billion back in the pockets of Illinoisans.²

ComEd Electric Energy Efficiency Achievements

Commonwealth Edison, or ComEd, is the largest electric investor-owned utility in Illinois with approximately 4 million customers. Its territory spans northern Illinois – overlapping with Peoples Gas, North Shore Gas, and Nicor Gas utilities – and sits within the PJM grid.

Energy Savings. At the time the 2026-29 plans were negotiated, electric utilities' programs were bound by two complex savings goals: Cumulative Persisting Annual Savings (CPAS) and an Applicable Annual Incremental Goal (AAIG). The CPAS goal, meant to focus programming on the cumulative longevity of savings, posed several risks to ComEd's portfolio, given the significant drop in low-cost savings opportunities across the four years. Between expiring savings from residential and Commercial & Industrial (C&I) lighting as well as the sunset of statutorily facilitated Voltage Optimization savings in 2029, ComEd made the case for modified savings goals for 2028 and 2029. The average annual impact over the four-year cycle is 1,362,266 MWh in savings, inclusive of electric energy savings as well as MCF savings from electrification and gas energy efficiency conversions.

Program Budgets. At a glance, ComEd's average annual budget for EE programming increased for the 2026-29 plan period to \$454.2 million per year – a cool \$1.82 billion across the four years. Of that, an annual average of \$103 million was designated for income-qualified (IQ) programming with \$27 million budgeted for single-family IQ programs and \$47 million for multi-family buildings, including Public Housing.³

ComEd agreed to budget \$80 million per year – 80% of its income-qualified budget – and committed to at a minimum spend no less than \$74 million per year on whole-home weatherization programs. That is a \$5 million per year increase in spending on such programs relative to the Company's annual commitment for the 2022-2025 portfolio.

New Construction programs were increased to a total of \$24.5 million across the four-year plan for residential market rate all-electric new construction and dual-fuel Affordable Housing new construction, as well as \$15.9 million for business new construction.

The Market Development Initiative (MDI) – what Illinois utilities refer to as their workforce training program – increased to an annual average budget of \$4 million. With all utilities, stakeholders were able to negotiate the establishment of more transparent MDI performance metrics that will be tracked and reported biannually. Metrics include the number of workers trained in energy efficiency technologies or practices, the number of trainees who get placed in and retain jobs in the field, the number of diverse contractors who get support for beginning or growing participation in EE programs, etc.

Electrification and Heat Pumps. Per statute, ComEd had the ability to increase efficient electrification investment to a total of 10% of its energy savings in the 2026-29 plan – from a 5%

² Net societal value is calculated by adding estimated utility bill reductions and the value of reduced emissions, subtracted by both utility and customer costs of investing in efficiency.

³ The statutory definition of income-qualified, or low-income, is customers with household incomes at or below 80% of Area Median Income (AMI).

limit throughout the 2022-25 plan – and advocates pushed the Company to maximize that as well as they could. However, the law during the portfolio negotiations required 25% of all electrification energy savings to come from low-income households. As spending on this housing stock is significantly more expensive than other building types, reaching this floor required upwards of 90% of total electrification spending, leaving little support for market rate and business customers.

The Company committed to significantly expand its focus on installing heat pumps in (as well as to weatherize) both single-family homes and multi-family buildings with inefficient electric resistance heat. Between electrifying dual-fuel homes and upgrading the heating and cooling of electrically-heated homes, ComEd agreed to budget over \$40 million per year for the two initiatives.

Weatherization. The Company agreed to modify its protocols so that it more frequently offers air sealing and insulation to low-income single-family homes. Specifically, it will offer to upgrade attic insulation whenever current levels are R-19 or lower (rather than the former protocol of R-11 or lower) and it will no longer require homes to have inefficient heating equipment and/or ducts in unconditioned space to qualify for insulation upgrades.

Program and Delivery Design. ComEd agreed not to provide incentives for early replacements of central A/Cs, furnaces, and other gas-consuming equipment in its IQ single-family program except in cases of emergency, health and safety needs, when the equipment requires significant maintenance, and/or when there are opportunities for cost-effective electrification.

ComEd, and all utilities, continued their commitments to integrate EE offerings with bill payment assistance, new low-income discount rates, Solar for All, and other programs available to income-qualified households.

Ameren Illinois Electric & Gas Energy Efficiency Achievements

The state's only dual-fuel investor-owned utility, Ameren Illinois has approximately 1.24 million electric customers on MISO's Zone 4 grid and 827,000 methane natural gas customers. Their territory is the geographically largest in the state, covering rural central and southern Illinois, with a small overlap with Nicor Gas and various intersections with municipal and cooperative electric utilities.

Energy Savings. Like with ComEd, Ameren IL's four-year portfolio was made inflexible by CPAS and AAIG constraints that led to modified savings goals for 2028 and 2029. The average annual impact across the four-year cycle is 252,734 MWh and 305,672 MCF in savings.

Program Budgets. Ameren's average annual electric budget increased for the 2026-29 plan period to nearly \$126.12 million per year – close to \$504.48 million across the four years – of which, \$47.9 million annually was designated for income-qualified programming. On the gas side, Ameren's average annual budget only slightly increased to just over \$19 million per year – over \$76.28 million across the four years – of which, \$10.2 million annually was designated for IQ programming.

The Market Development Initiative increased to an electric annual average budget of \$4.4 million and a gas budget of just under \$680,000 – the highest commitment to workforce development programs of any other Illinois utility by a long shot.

Electrification and Heat Pumps. As a dual-fuel utility with relatively low fixed gas delivery charges, Ameren is no stranger to resisting the facilitation of building electrification – even in delivered fuel-powered buildings, of which there is ample opportunity in its territory. However, after hard-pressed negotiation by advocates underscoring the importance of the Company to start moving the electrification market in their territory, Ameren committed to budgeting \$5 million over the four years to electrify low-income propane-heated homes and will, for the first time, offer to support the electrification of gas-heated homes when requested by the customer.

Ameren also committed to installing heat pumps to displace inefficient electric resistance heat in its IQ multi-family program, whenever possible. The Company expected half of its multi-family apartments served to be candidates for heat pumps and agreed to a goal of installing the technology in at least 70% of its units. The plan forecast was for over 1,000 heat pumps per year in this program – roughly double 2022-2025 annual levels and about a 70% increase relative to Ameren’s original draft 2026-29 plan (Ameren 2024).

Furnaces and Weatherization. Pointing to the significance of the 2028 federal furnace standard, negotiators were able to hold Ameren to a commitment to stop offering gas furnace rebates for market rate residential customers after 2027, so that the principal focus of non-low-income residential gas programs is weatherization.

In a similar vein, negotiations resulted in an IQ furnace replacement criteria change, freeing up dollars to invest in insulating and sealing more homes. Going forward, replacements would only be rebated in cases when the home has no functioning heating system, the unit requires significant maintenance to remain operational, there is a health and safety concern, and/or the unit is more than 18 years old.

The Company agreed to make building envelope improvements in at least 40% of IQ multi-family units assessed – a major improvement as through 2023, Ameren was insulating and sealing less than 5% of units. There was also a commitment that budget constraints would not be used as a justification for not installing such measures when they make sense, so fewer multi-family buildings might be served, if necessary, to enable those buildings to be treated more comprehensively.

Program and Delivery Design. Just shy of ComEd’s commitment, Ameren agreed to spend at least 85% of IQ efficiency measure incentives and committed to spend no less than 80% on weatherization, air sealing, HVAC equipment, health and safety, and other major measures.

Peoples Gas, North Shore Gas, & Nicor Gas Energy Efficiency Achievements

Peoples Gas and North Shore Gas are sibling utility companies which serve approximately 1 million customers in the city of Chicago (Peoples) and within the surrounding northern suburbs (North Shore). As the state’s largest gas utility, Nicor Gas serves roughly 2 million customers across northern Illinois.

Program Budgets. Peoples’ average annual budget for EE programming increased for the 2026-29 plan period to almost \$34.5 million per year – close to \$138 million across the four years. Of that, \$14.4 million was designated for IQ programming, with \$5.3 million budgeted for single

family households and \$9.1 million for multi-family buildings, including Public Housing. Peoples' MDI has an annual average budget of \$800,000.

Nicor's average annual budget for EE programming increased for the 2026-29 plan period to \$57.8 million per year –\$231.2 million across the four years. Of that, \$17.25 million was designated for income-qualified programming, with \$12 million budgeted for single family households and about \$5 million for multi-family buildings, including Public Housing. Nicor's MDI annual average budget is \$1.95 million.

Furnaces and Weatherization. Although Peoples and Nicor also committed to the same IQ furnace replacement criteria change as Ameren, Nicor uniquely roughly doubled its planned spending – to \$5.35 million per year – on market rate air sealing and insulation measures.

Program and Delivery Design. With no statutory income-qualified requirements at the time, negotiations pressed Peoples Gas towards agreement to spend a minimum of 90% of its IQ program budget on comprehensive, whole-home retrofit programs while sunsetting its Elementary Education kit program

Unlike its utility neighbor to the east but with a larger budget, Nicor committed to spend a minimum of 80% of its IQ program budget on whole-home retrofit programs. However, they further committed to spend at least 90% of incentive dollars in those whole building programs on insulation, air sealing, HVAC equipment, health and safety, and other 'major measures.'

Anticipated Portfolio Impacts

As detailed above and outlined in Table 1, the collective planned impacts of the settlement agreements on the five utility 2026-2029 energy efficiency portfolios are monumental. Of the nearly \$2.79 billion to facilitate record energy and utility bill savings in the state across the four years, a few key programmatic highlights stand out:

- An increase in income-qualified energy efficiency program investments by \$25.4 million per year above their 2022–25 portfolio commitments and \$41.7 million per year more than companies had first proposed to spend before negotiations began (Ameren 2024; ComEd 2024; Nicor 2024; North Shore and Peoples 2024).
- Nearly \$408 million per year invested in workforce training programs and initiatives to expand or launch new local and diverse businesses and community-action agencies in energy efficiency.
- A significantly expanded focus for electric utilities on installing heat pumps for electrification and in affordable multifamily buildings with highly inefficient electric resistance heat (i.e., window units and baseboards).
- Sunsetting methane gas furnace rebates for higher-income residential Ameren customers after 2027 in light of federal appliance standards and focusing on building weatherization improvements for all Illinois gas consumers.
- Increasing ComEd's focus on all-electric new construction/gut rehab programming and Ameren's new income-qualified electrification program for propane-heated homes (Ross 2025).

With portfolio plans approved by the ICC over summer 2025 and effective January 1, 2026, NRDC and our partners have hit the ground running within the IL EE SAG on holding the

utilities accountable to implementing the settlement agreements in a way that maximizes their commitments, delivers equitable outcomes to communities most harmed by the legacy energy system, and maintains Illinois as a leader in EE.

Table 1. Planned Annual Average Impacts from 2026-2029 Illinois Utility Energy Efficiency Portfolio Settlement Agreements

	ComEd Electric	Ameren Electric	Ameren Gas	Nicor Gas	Peoples Gas	North Shore Gas	Total
Spending							
Total Budget (millions \$)	\$454.2	\$126.1	\$19.1	\$57.8	\$34.5	\$5.0	\$696.7
Total Low-Income Budget (millions \$)	\$103.0	\$47.9	\$10.2	\$17.3	\$14.4	\$0.69	\$193.4
% Low-Income Spend	23%	38%	54%	30%	42%	14%	28%
Electric Savings							
Annual Electric Savings (MWh)	1,198,794	252,734					1,451,527
Portfolio Avg Measure Life (years)	14.0	15.4					14.2
Lifetime Savings (MWh)	16,783,111	3,893,911					20,677,022
Peak Capacity Savings (MW)	173	36					209
Total Utility Sales (MWh)	82,290,221	33,239,905					115,530,126
Savings as % of Total Electric Sales	1.46%	0.76%					1.34%
Savings as % of Eligible Sales	1.53%	0.95%					1.43%
Gas Savings							
Annual Gas Savings (MCF)	557,929	96,908	305,672	1,463,500	766,425	156,150	3,346,585
Portfolio Avg Measure Life (years)			13.6	12	10.9	10.4	12.3
Lifetime Savings (MCF)	7,811,012	1,493,083	4,157,139	17,562,000	8,354,033	1,623,960	41,001,227
Total Utility Sales (MCF)			156,026,711	448,883,365	152,346,271	33,297,868	790,554,215
Savings as % of Total Gas Sales			0.20%	0.33%	0.50%	0.47%	0.42%
Savings as % of Eligible Sales			0.30%	0.40%	0.51%	0.47%	0.51%
Cost-Effectiveness							
Utility System Benefit-Cost Ratio	2.0	3.8		1.13	0.99	1.29	2.22
Societal Benefits (millions \$)	\$1,110	\$386		\$597	\$161	\$33	\$2,288
Societal Ben-Cost Ratio	3.0	3.3		8.2	4.8	5.8	3.60
Levelized \$/kWh	\$0.033	\$0.041					\$0.034
Levelized \$/therm			\$0.529	\$0.373	\$0.464	\$0.344	\$0.415

Table 1 reflects annual average planned impacts across each four-year utility portfolio. Multiply numbers and dollar amounts (not ratios) by four for a glimpse at the impacts by utility and category across the four years. Note that annual energy savings for electric utilities are broken out by MWh electric energy efficiency savings as well as by MCF savings from electrification and gas energy efficiency conversion savings. *Sources:* Ameren 2025, ComEd 2025, EIA 2023, EIA 2021-2023, Nicor 2025, North Shore and Peoples 2025.

Illinois' 2026 Clean and Reliable Grid Affordability Act

Background

The work on IL Public Act 104-0458, or the Clean and Reliable Grid Affordability Act (CRGA Act), was a multiyear affair by the Illinois Clean Jobs Coalition (ICJC), culminating in passage during October 2025's special Veto session and signed into law by Governor JB Pritzker on January 8, 2026.

The monumental passage of 2021's Climate and Equitable Jobs Act (CEJA) secured a nation-leading energy standard that, among many other policies, set Illinois on the path to achieve a 100% carbon-free power sector by 2045 and 100% clean energy economy by 2050 (CEJA 2021). Yet with that success, Illinois advocates knew further bold action was needed to

realize the benefits of CEJA as various federal and regional entities have been quite slow to ensure our aging power grid adapts to strong clean energy commitments (Lang-Ree 2025). When a version of the CRGA Act was introduced to the General Assembly in 2023, load growth had remained somewhat flat, in part thanks to strong energy efficiency and demand-response programming. But as Illinois consumers faced increasingly volatile price spikes from PJM and MISO energy markets, in large part due to the onslaught of hyperscale data center demand (Monitoring Analytics 2025), the solutions in the CRGA Act became more urgent than ever to ensure our grid remains resilient, affordable, and is modernized to maximize renewable power.

Throughout 2024 and 2025, the ICJC worked with stakeholders across the state – consumer advocates, organized labor, state agencies, renewable energy industry, utilities, legislative leadership, and more – to identify policies to achieve just that. Immediately, the need for increased and updated utility energy efficiency program investment rose as a priority to strengthen the resiliency of the grid, reduce consumers’ utility bills, and continue transforming the market for highly efficient technology and family-sustaining job opportunities. In addition to those enhancements this paper will cover, the CRGA Act includes essential and complimentary demand-side and supply-side solutions such as expanded utility-scale battery storage procurement targets, encouraging the maximization of grid-enhancing technologies, standing up a utility Virtual Power Plant program, and establishing a new, robust statewide Integrated Resource Plan.

Along with enhancing the electric energy efficiency standard in the Public Utilities Act (220 ILCS 5/8-103B), the CRGA Act also makes substantial changes to the gas energy efficiency standard (220 ILCS 5/8-104) for the first time since the law was created in 2009 (CRGA Act 2025). It took hefty persuasion for legislative leadership to champion such an update in a grid bill and be willing to fold all the gas utilities into negotiations. The messaging was threefold. First, as the General Assembly worked to alleviate skyrocketing electric bills, it was important to underscore that we consider an entire consumer’s energy burden – both electric and gas. Second, as the programs created nearly twenty years ago haven’t facilitated program growth over time, the state has been falling behind on cost-effective decarbonization while peer Midwest states like Michigan statutorily must achieve more than double the amount of gas energy savings relative to Illinois (Kresowik et al. 2025). Third, and perhaps most critically, utility gas energy efficiency programs not only reduce methane gas demand and subsequent greenhouse gas emissions, they also reduce electric usage. When a gas utility EE program offers rebates for insulation or smart thermostats, for example, those incentives can reduce gas heating *and* electric cooling load. Moreover, in dual-fuel buildings, electric and gas EE programs are often delivered jointly between utilities but because gas programming has offered significantly less funding than the electric side to date, homes and buildings are not being treated as comprehensively as they could and should be. Bottom line: increasing investment in both electric and gas EE programs simultaneously is a win-win for consumer bills, load savings, and emissions reductions.

Before diving into updates of the electric and gas energy efficiency statutes, it’s key to note that the CRGA Act also corrected a long-ignored definition of the true societal cost of carbon emissions in determining demand-side programs’ benefit-cost ratio (20 ILCS 3855/1-10). Going forward, the societal costs associated with greenhouse gas emissions are at least \$200 per short ton. Any changes in carbon emissions due to changes in electricity consumption shall be estimated using long-run marginal emissions rates developed by NREL’s Cambium model, a reflection of science-based assessments of the damage caused by emissions. This ensures that

cost-effectiveness assessments of utility efficiency programs, or the total resource cost (TRC) test, properly value climate benefits and demand-side resources.

Updates to 8-103 Electric Efficiency Statute

Energy Savings Goals. The CRGA Act first updates the way savings goals are structured by shifting away from the previously detailed Cumulative Persisting Annual Savings (CPAS) framework to an incremental annual savings goal framework, analogous with most state energy efficiency programs. Utilities and advocates agreed that the former CPAS framework created complexity and some undesirable, unanticipated outcomes, such as needing to modify goals to keep up with the law. First, there were challenges in meeting current year goals, not because of current year performance but because of expiring savings effects from EE programs 5-10+ years ago. Second, there was pressure not to pursue any short-lived savings, even when they were cost-effective and made sense to deliver diverse offerings. The primary benefit of CPAS – encouraging investments in longer-lived efficiency measures – is retained by having utility performance goals tied to lifetime savings achievement, calculated as the product of the incremental annual savings goal and a minimum average savings life of at least 12 years.

The new incremental annual savings goal increased ambition to 2% of average 2021-2023 energy sales for both utilities by 2029, bringing Ameren to parity on EE goals with ComEd for the first time in a decade. This change roughly doubles Ameren's goals from its last draft plan for 2026-29 and delivers an almost quarter increase over ComEd's approved plan. Though Ameren agreed to increase savings goals to 2% as of the Act's effective date, they were able to negotiate a ramp-up in the final days of legislative session, so their revised 2027 goal is 1.4% of average 2021-2023 sales, the 2028 goal is 1.7%, and the goal for 2029 and beyond is 2%.

The CRGA Act offers utilities an equity-focused degree of flexibility in their annual savings achievement by allowing the new goal to be reduced by 0.025% for every 1% increase in IQ program spend above the new statutory minimum requirement of 25%. The additional investment past the minimum requirement can be met by spending on low-income and/or moderate-income programs but is capped at an additional investment of 10% of spend.⁴ For instance, the 2% savings goal may not be reduced below 1.75%, translating to 35% total program spend on low- and/or moderate- income programs. Of course, a utility can choose to spend more than 35% of their budget on these programs, but there won't be a calibrated savings reduction past that point.

Lastly, to underscore the grid benefits of these programs, the CRGA Act introduces a new peak demand reduction goal for Ameren, prioritizing energy reductions when the grid is under the most stress. The goal is a function of the annual energy savings goal in MWh divided by a MWh to peak MW ratio. As the goal is based on actual average savings estimates from 2023, it can be adjusted to account for any changes in definition of 'peak hours' or other ways in which peak demand reduction is estimated in the future so that utility performance bonuses are based on actual improvements rather than just changes in calculation methods. Only peak demand reductions from EE measures funded under 8-103B would count towards this goal, so peak savings from demand response, storage, or other initiatives would not count but instead be addressed in grid plans and other dockets. As with the energy savings goal, there is also a

⁴ The statutory definition of low-income is customers with household incomes at or below 80% of Area Median Income (AMI). The definition of moderate-income is 80%-100% AMI for ComEd, Nicor Gas, Peoples Gas, and North Shore Gas, and 80% AMI-300% Federal Poverty Level (FPL) for Ameren Electric and Gas.

minimum 12-year average peak savings life requirement, so performance is based on lifetime peak MW savings, which will prioritize heat pump, highly efficient air conditioning, smart thermostat, and weatherization incentives well above status quo levels.

These new savings goals are collectively estimated to reduce upwards of 2.4 million MWh of peak demand annually or 2.4 GW over the next 10 years statewide.

Sources of Savings. In addition to kWh savings from EE measures that reduce the electricity consumption of specific appliances or end uses, 8-103B allows electric utilities to count two other kinds of impacts towards their statutory energy savings goals: savings from gas efficiency improvements and reductions in on-site energy consumption resulting from efficient electrification, both expressed in kWh-equivalents.

Former law set a cap of 10% of total energy savings that can be claimed from fuels other than electricity. ComEd had consistently protested that they were facilitating far more gas efficiency than they were able to claim savings for through their joint whole-building programs with the utilities given gas utility budgets have historically been suppressed. In legislative negotiations, then, an increase to this 10% cap was the first ‘chip’ advocates knew we had to give. In a package deal, we had negotiated an increase to a 20% cap from such savings, but in last-minute negotiations with legislators, ComEd was able to increase that threshold to 30%. In an effort to meet-in-the-middle, advocates offered that the 30% figure would be acceptable so long as the fuel savings were limited to weatherization measure savings only. Ameren kept their 20% limit without the weatherization restriction.

On the other end, efficient electrification savings are calculated using the difference between the reduction in Btu consumption of fossil fuels as a result of electrification, converted to kWh-equivalents, and the increase in kWhs of electricity consumption resulting from the displacement of fossil fuel consumption. Again, a negotiation deal centered on a 15% cap from such savings up until ComEd asked decision-makers for an increase to 20%, which is where the guardrail landed for both utilities. As stated earlier, the former law required 25% of all electrification savings to come from IQ households but because IQ electrification has proven to be very expensive, reaching this floor has left little to no support for electrifying market rate residential and small business customers. The CRGA Act then modifies this requirement for investment on IQ electrification to be 33% of total electrification spending, so that the principal focus of fuel switching programs is on no-cost IQ incentives but with flexibility for a diverse array of electrification initiatives to be offered.

Program Budgets. To enable the achievement of more aggressive savings goals, the CRGA Act increases the electric EE spending cap. The former spending cap was calculated as a product of $4.25\% \times \text{the 2015 residential rate} \times \text{the 2015 volume of sales}$. For ComEd, the change was a simple reference year update to 2023 actuals, which results in an increase in annual spend for the revised 2027-29 plan from \$454 million to \$540 million annually. Since Ameren was awarded a ramp-up to the 2% savings goal, their spending cap also received a ramp-up by changing the percentage in the equation. Ameren’s increase in spending for the revised 2027-29 plan will go from \$126 million annually to over \$178 million in 2027, \$222 in 2028, and \$256.3 million in 2029 and beyond.

A very important change to statutory budget guidance in the CRGA Act is to the minimum requirement for IQ program spend. Former law listed minimum requirements in dollar amounts, so they weren’t allowed to grow over time. ComEd’s requirement was \$40 million and Ameren’s was \$13 million annually. Although the utilities had been performing well past those

points as a result of settlement agreements with stakeholders, as detailed previously, nothing legally was to stop either from backsliding on their more ambitious IQ investments whenever they wanted. For instance, the first draft 2026-29 plan that ComEd presented to the SAG in late 2024 showcased a decrease from \$100 million in annual spend on IQ (2022-25 numbers) to \$60 million – a 40% reduction not only in incentives, but in the accompanying workforce who relied on those consistent budgets (ComEd 2024). To rectify any future backsliding potential, advocates raised the minimum requirement in the CRGA Act to be 25% of total program spend. This translates to a \$135 million minimum annual IQ investment for ComEd and an annual average of nearly \$55 million across the revised 2027-29 period for Ameren Electric.

Updates to 8-104 Gas Efficiency Statute

Energy Savings. Though Illinois’ gas energy efficiency resource standard was codified in law only one year after its ever-blooming electric counterpart, the mandatory gas EE programs budgets and savings have remained statutorily suppressed by a 2% of revenue spending cap, allowing the state to fall behind on its decarbonization ambition.

Though the CRGA Act as introduced in 2025 established a new energy savings goal of 1% of annual energy sales by 2029 for all gas utilities, with benchmarks to hit 0.6% by 2027 and 0.8% by 2028, – roughly doubling Peoples’ and North Shore’s annual goals and nearly tripling Nicor’s goals from its approved 2026-29 – legislative negotiations with the gas utilities and legislators stalled any mandatory program enhancements (IL HB3779 2025). Therefore, our more formal negotiations with utilities, state agencies, ICC decision-makers, and legislative leadership narrowed on a voluntary program increase. The voluntary policy allows single-fuel utilities Nicor, Peoples, and North Shore – 85% of the state’s gas sales – to achieve higher levels of gas therm savings should they elect to file updated plans beginning in 2027 that increase their existing spending cap, while Ameren Gas chose exemption.

Given the ceiling of our negotiations was a voluntary portfolio increase, the opportunity arose to offer a stretch energy savings goal tied to the one thing we knew utilities cared about most: the ability to earn a shareholder incentive for their investment. Modeled after the provisions originally introduced in the mandatory update to 8-104, tied to a utility’s ability to request the ICC of a shareholder incentive on performance, utilities must:

- Budget at least 5% of annual revenue (former spending cap was 2%).
- Achieve incremental average annual savings equal to at least 0.7% of sales in the 2027-2029 plan and at least 0.8% of sales in subsequent plan cycles, with minimum average savings lives of 12 years.
 - Like with the electric utilities, may reduce savings minimum by 0.01 percentage points for every 1 percentage point increase in low- and moderate-income spend above the new minimum requirement (max goal reduction of 0.10 percentage points).
- Spend least 67% of gas EE incentive budgets on ‘major measures’ that reduce:
 - Space heating loads – improvements to building envelopes, ventilation systems, space heating distribution systems, and space heating system controls;
 - Water heating loads – insulation of hot water pipes, recovery and reuse of heat from wastewater, and reductions in the amount of hot water required to meet customer needs; and/or
 - Industrial process heating loads.

This suite of minimum requirements to be able to request and earn a shareholder incentive would unlock well more than double the savings achieved today and necessarily shift incentive focus on heat load reduction away from gas-consuming equipment, of which there is significant remaining headroom.

Income-Qualified Requirements. Starting in 2027, the CRGA Act critically codifies minimum requirements on income-qualified programs in statute for the first time.

For Nicor and Ameren, regardless of whether they voluntarily increase program spending, IQ spending minimums are now the greater of 25% of total program spend or 5% above the percentage of eligible sales to IQ customers within the service territory. For Peoples and North Shore, if they file for a voluntary program increase at the ICC, IQ spending minimums are the same for Peoples as they are for Nicor and Ameren, but for North Shore – a much smaller utility with a dominant market rate customer base – is the greater of 15% or 5% above the % of eligible sales to IQ customers

For all gas utilities, mirroring 8-103 electric efficiency statute, 80% of said IQ spend must be on whole building weatherization programs and up to 15% of total IQ spend can be on health and safety measures necessary to facilitate weatherization.

New Program Opportunities. Effective for all gas utilities in 2030 and any who revise their plans beforehand, the CRGA Act importantly ends the large Commercial & Industrial (C&I) customer exemption from paying into and being eligible for EE program participation, shifting to an opt-out framework analogous to the electric EE programs. ‘Large C&I’ is any business customer who uses 4 million therms/year.

Tied to voluntary program increases starting in 2027, at least 30% of business portfolio budgets must be spent on public sector buildings, like municipal buildings, school districts, community college districts, etc.

Driven by utilities, new law allows gas programs to claim electric savings towards their goals – up to 5% – under a voluntary program increase only if electric savings result from measures that also save gas (i.e. weatherization) and are from utility territories not served by ComEd/Ameren (i.e. munis and co-ops).

Portfolio Guidelines. The CRGA Act codifies new crucial guidelines stakeholders can point to in negotiation and the ICC must consider in decision making on portfolio plans. Going forward, utilities must demonstrate to the Commission that their plans strike a reasonable balance between the goals of:

- A. Increasing cost-effective EE and related greenhouse gas reductions;
- B. Reducing overall gas system costs;
- C. Increasing energy affordability for income-qualified customers;
- D. Within the residential sector, prioritizing investment in weatherization and other measures reducing heating loads over gas equipment measures; and
- E. Providing a diverse cross-section of opportunities for all customers

In a state where gas utilities are still very hesitant to discuss non-pipeline-alternative policies openly and robustly, this simple set of principles naming that utilities must prioritize

low-income affordability, greenhouse gas reductions, and weatherization over gas consuming equipment incentives is a major win for decarbonization.

Conclusion

As the nation experiences soaring energy bills due to wholesale capacity price increases and volatile gas costs, it's important now more than ever to double down on energy efficiency investment. But as EE is being attacked at state and federal levels under the contorted cry of “energy affordability,” we must look to places like the Prairie State where elected officials, agencies, utilities, and advocates are working together to uplift and reimagine tried-and-true programming that benefit all (Prang 2026).

Though it was challenging to negotiate the 2026-2029 energy efficiency portfolios with utilities while simultaneously negotiating enhancements and alterations to governing statute, the intensive process was also conducive to invaluable policy thought-partnership. A few takeaways are worth highlighting:

- **The ‘devil’ is truly in the details regarding EE policy.** When considering a utility’s EE portfolio, or negotiating legislative changes, energy savings consider the sum of literally hundreds of unique measures, dozens of program channels, and countless competing policy and programmatic priorities. Effectiveness, therefore, requires in-depth knowledge that can only truly be acquired through sustained engagement. Having been in the nitty gritty of the regulatory process for months, advocates knew what we wanted on program design and goal achievement and what the utilities claimed was or was not possible. We could determine ahead of time what their utility leadership prioritized, what they felt their challenges in program delivery were, what roadblocks we might face with various stakeholders, and what policy carrots to have in our back pocket. Surprises were minimal in an environment of endured EE immersion.
- **Despite the fading of residential lighting savings, the energy efficiency market is far from transformed.** As the industry’s historic focus, many claim that lighting’s now lack of ‘low-hanging fruit’ opportunity calls for a sunset of EE. But it’s because we can’t rely on lighting savings that EE programming must be bolder and more tenacious. In Illinois, energy savings as a percentage of utility sales have grown nevertheless as attention moves towards policies that uniquely tackle peak load reductions and building envelope improvements while increasing the ceiling for electrification savings.
- **Steady, consistent growth in goals and programming is key.** As made evident by the evolution of Illinois’ electric programming versus its outdated gas counterpart, when policy is not reimagined regularly and able to expand as the moment needs, it becomes harder – both politically and feasibly – to develop. Of course, these changes to multi-million-dollar programs mustn’t be flippant; there is value in operating on consistency and reliability. But if there’s anything we know about the climate and energy affordability crises these programs make a dent in tackling, it’s that we can’t afford to wait. Even if the solution is temporary or half what it should be – or voluntary as with the gas enhancement in the CRGA Act – there are always policy tools to progress forward.

- **Increasing comprehensive income-qualified program focus requires a certain level of compromise on related priorities.** With zero-sum utility EE budgets, increasing spending on expensive, no-cost-to-the-customer IQ programs may mean cheap, short-lived savings in other programs, more focus on Commercial & Industrial measures, or little to no market rate residential dollars. It may even mean less overall energy savings, as was with the solution in the CRGA Act: to allow goals to be adjusted downwards commensurate with increases to low- and moderate-income programs. It's key to assess at on the onset of a negotiation which lever(s) must be pulled to balance strong income-qualified investment in whole-home programming with overall energy savings and emissions reductions.
- **We are far from done transforming energy decision-making processes for equity and justice.** Although the Illinois EE Stakeholder Advisory Group and related negotiation spaces are paving the way for more procedurally just collaboration, heavily resourced organizations and frontline community-based organizations and are still not able to equally participate in EE policy and program design. The wins detailed in this paper would not have been won without the deep relationships and trust among the Illinois EE advocate community, but the next iteration of policy must be accomplished under processes that are formally more intentionally inclusive and equitably focused on the needs and priorities of disadvantaged communities.

The utilities were required to file revised 2027-2029 portfolio plans under the CRGA Act's new guidance on June 1, 2026, where settlement agreements are pending Commission approval. Having just re-negotiated said revised plans, NRDC and our partners are excited to continue working with utilities, regulators, and our elected officials to hold program implementation accountable to goals, re-adjust when pain points emerge, and continue to educate on the benefits of strong cost- and energy-savings energy efficiency investment.

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